

No. 86-896

(2)

Supreme Court, U.S.
FILED

FEB 2 1987

JOSEPH F. SPANIOL, JR.
CLERK

IN THE
Supreme Court of the United States

October Term, 1986

BENTLEY LABORATORIES, INC.,

Petitioner,

v.

SHILEY, INC.,

Respondent.

On Petition for a Writ of Certiorari to the United States
Court of Appeals for the Federal Circuit

RESPONDENT'S BRIEF IN OPPOSITION

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Questions Presented

Since Petitioner has presented questions that do not properly set forth the basis of the subject petition for writ of certiorari, Respondent submits what it deems to be a correct formulation of the questions before this Court.

1. Has the Court of Appeals for the Federal Circuit, in reviewing findings of willful infringement in this and other patent cases involving 35 U.S.C. §§ 284 and 285 (which authorize courts in patent infringement cases to increase damages and award attorneys' fees), utilized the proper legal standard for willful infringement—i.e., whether an infringer has satisfied its affirmative duty to exercise due care in determining whether or not he infringes?

2. Did the Court of Appeals for the Federal Circuit err when it affirmed, as not being clearly erroneous, the findings of both the jury and the trial court in this action that Petitioner herein was a willful infringer?

Statement Pursuant To Rule 28.1

Pfizer Inc. is the parent corporation of Respondent Shiley, Inc. Respondent has three subsidiaries: Shiley International, Inc., Shiley Caribbean, Inc. and Shiley International Sales Corp. Shiley International, Inc. itself has five subsidiaries: Schneider Medintag AG, Shiley Scandinavia Ab., Shiley A/S, Hilekes B.V. and Shiley OY.

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Pet — Petition for a Writ of Certiorari

App — Appendix to Petition

JA — Joint Appendix Filed in the Court of Appeals for
the Federal Circuit



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RESPONDENT'S BRIEF IN OPPOSITION

Statement of the Case

I. Preliminary Statement

Respondent Shiley, Inc. opposes Bentley Laboratories, Inc.'s Petition for a Writ of Certiorari on the grounds that there are no "special and important reasons" that warrant review.

In unanimously affirming the decision below that Petitioner was a willful infringer, the Federal Circuit did not create a new standard or substantive rule of law for willful infringement as Petitioner contends. The Federal Cir-

cuit's decision is also not in conflict with other decisions of the Federal Circuit or with previous decisions of the regional courts of appeals [Pet 5, 8-13]. Instead, the Federal Circuit has adopted and consistently applied the pre-existing case law standard for willful infringement which imposed upon a potential infringer with knowledge of another's patent rights an affirmative duty to exercise due care to determine whether or not he is infringing—whether the affirmative duty has been satisfied is, in turn, determined by an analysis of all the relevant evidence or the “totality of the circumstances.”¹ Such an analysis or weighing of all relevant evidence has been repeatedly approved by this Court.

Petitioner's factual account [Pet 3-4] is incomplete and selective, and presents a distortion of the record. Further, Petitioner ignores the applicable “clearly erroneous” standard of appellate review of the factual determination of willful infringement.

II. Counter Statement Of The Facts

At the conclusion of a twenty-one day trial, the jury in this action found that Petitioner had willfully infringed Respondent's patents. Thereafter, the district court independently likewise found that Petitioner had willfully infringed. The Federal Circuit, without dissent, affirmed this finding as being “amply supported by the record” [App 8] and subsequently denied Petitioner's request for rehearing in banc [App 43-44]. Petitioner's “solution” to this unbroken string of unfavorable decisions has been to put forward a version of the allegedly “undisputed

1. *Underwater Devices Inc. v. Morrison-Knudsen Co.*, 717 F.2d 1380, 1389 (Fed. Cir. 1983); see *infra* at 7-10.

salient facts on the willfulness issue" [Pet 5] which misstates the record and ignores the compelling evidence which supports willful infringement.

In the summer of 1976, Respondent Shiley commenced marketing its S-100 oxygenator (the "lung" portion of a heart-lung machine used during open-heart surgery) which incorporated a high efficiency heat exchanger [App 17]. Bentley had access to the Shiley oxygenators and brochures long before Petitioner Bentley came on the market with its BOS oxygenators [App 21, JA 1426, 1757-1759]. Bentley obtained four Shiley oxygenators in 1976 which were all marked with "patent pending", evaluated them, and then ordered a key component from one of Shiley's suppliers *made pursuant to Shiley's specifications* [App 21, JA 2438]. After testing this Shiley component in the Bentley oxygenator, Bentley began making and selling the BOS oxygenator in the fall of 1977 [JA 46, 204, 602-607]. Based on these facts, the district court found that "an inference of copying is warranted" [App 22], and during trial the district court held that the "evidence is sufficient to support an inference of copying" [JA 1842-1843]. The Federal Circuit also recognized that "Bentley had made a pre-trial admission that it had possession of four models of the S100 *prior* to the development of the [accused] BOS-10" [App 15].

Furthermore, Bentley's patent attorneys, who were watching for issued patents that looked like Bentley's products, learned of Shiley's '264 patent in early 1978 within days after it had issued on December 27, 1977. Bentley's Raible then contacted his attorney by telephone to discuss the patent and was simply told orally that "it [the

patented Shiley oxygenator] was a different device" [App 22, JA 1420]. There was no business record either at Bentley's or its attorneys' offices to substantiate the conversation. There also was no evidence that the file history was obtained and reviewed before the comment was made even though such a review is—a "normal and necessary preliminary to a validity or infringement opinion" [App 23].

The district court found that the foregoing oral conversation "cannot even be characterized as legal advice or an opinion, much less as a competent opinion" [JA 22]. Bentley did not obtain a written opinion of counsel at that time (January 1978) but instead continued to manufacture the BOS oxygenators. Bentley waited for two and a half years more before receiving any written opinion of noninfringement [App 23]. Once again, however, the district court found that "there is no evidence that counsel reviewed the file histories" in the preparation of this belatedly written opinion [App 23]. Significantly Bentley *admitted that it* "never conducted any search or study relating to invalidity . . . or infringement" with regard to Shiley's patents until September 6, 1983, just before trial was then set to commence and almost six years after Bentley learned of the patent [App 23, JA 801-807].

Shiley advised Bentley of its infringement of the '264 patent in November 1980. One year later, by letter dated November 11, 1981 [App 23], Bentley's counsel recommended that Bentley undertake a "design change" in order to improve Bentley's chances of prevailing on the issue of infringement in the event of trial. As of the time of trial, Bentley had failed to act on this recommendation.

The district court and jury each independently found that "the credible evidence presents no good faith, reasonable basis for defendant to believe it had the right to commit the infringing acts" [App 17, 23].² Bentley's infringement was thus found to be willful. The Federal Circuit, in turn, affirmed the willful infringement findings of the jury and the district court and held that the findings were "in agreement and are amply supported by the record" [App 8].³

Summary of Opposition To Petition For Writ of Certiorari

Contrary to Petitioner's arguments [Pet 5-8], the Federal Circuit has not created a new standard for willful infringement but instead has continued to utilize the same approach previously employed by other circuits. The standard or substantive rule of law concerning willful infringement was recognized by the Federal Circuit in *Underwater Devices* to require that a potential infringer with actual knowledge of another's patent rights has "an affirmative duty to exercise due care to determine whether or not he is infringing." 717 F.2d at 1389. The duty of care is not a new standard enunciated for the first time

2. *Underwater Devices*, 717 F.2d at 1390. Among other things, Petitioner would require that this Court not give "due deference to the trier's right to determine credibility and the weight of the evidence before him." *King Instrument Corp. v. Otari Corp.*, 767 F.2d 853, 867 (Fed. Cir. 1985), cert. denied, 106 S.Ct. 1197 (1986); *Anderson v. Bessemer City*, 470 U.S. 564 (1985).

3. The jury was properly instructed on the issue of willfulness and Petitioner raised no objections at trial to these instructions. The Federal Circuit held that the jury received "clear and complete instructions" [App 14].

by the Federal Circuit but was adopted from the pre-existing case law of the regional courts of appeals.

Whether the infringer has satisfied that affirmative duty is, in turn, to be determined upon an analysis of the "totality of the circumstances presented in [the] case," 717 F.2d at 1390. "Totality of circumstances" is accordingly not the substantive standard for willful infringement, as Petitioner would have this Court believe, but only a directive to the trier of fact to evaluate all the relevant evidence relating to willfulness.

The "totality of circumstances" analysis, which is no stranger either to patent law or to other areas of the law, provides a flexible and common sense approach for evaluating all of the evidence. The Federal Circuit's utilization of a "totality of circumstances" evidentiary analysis in connection with willful infringement, rather than constituting legal error, is consistent with the repeated advice of this Court that mechanistic *per se* rules should not serve as a substitute for an evaluation of all relevant facts, see *infra* at 11-13.

Petitioner also argues inconsistency and conflict among various panels of the Federal Circuit on the issue of willfulness [Pet 8-13]. This is not the case. Each of the Federal Circuit decisions on which Petitioner relies properly applied the "due care" standard as well as the "totality of the circumstances" evidentiary analysis to determine if that "due care" standard was satisfied. Moreover, Petitioner isolates selective facts from those decisions to the exclusion of others and ignores the complete record or the "totality of the circumstances" which in *those* particular

cases supported a finding of nonwillfulness. In contrast, and in view of the entire evidentiary record or the "totality of the circumstances" in this case, the Federal Circuit properly held that the finding of willfulness is not clearly erroneous but rather is "amply supported by the record" [App 8].

REASONS FOR DENIAL OF WRIT

I. The Federal Circuit Did Not Create A New Standard For Willful Infringement—The Proper Standard Is And Always Was Whether The Infringer Exercised Due Care To Determine Whether Or Not He Is Infringing

Petitioner asserts in conclusory fashion that the Federal Circuit has created a "new standard" for willful infringement based upon "the totality of the circumstances", and that in doing so the Federal Circuit ignored the prior "universal law" of a *per se* rule of nonwillfulness [Pet 6-7]. Petitioner is wrong in both respects.

First of all, Petitioner misstates the "standard" for willful infringement. The standard is one of "due care" and is *not* "totality of circumstances." The Federal Circuit made that clear in *Underwater Devices Inc.* (717 F.2d at 1389-90):

"Where, as here, a potential infringer has actual notice of another's patent rights, he has an affirmative duty to exercise due care to determine whether or not he is infringing. See *Milgo Electronic Corp. v. United Business Communications, Inc.*, 623 F.2d 645, 666, 206 USPQ 481, 497 (10th Cir. 1980), *cert. denied*, 449 U.S. 1066, 101 S.Ct. 794, 66 L.Ed.2d 611 (1980)."

Significantly, the “due care” standard articulated by the Federal Circuit in *Underwater Devices* was adopted from the pre-Federal Circuit case law of the regional circuit courts as exemplified in *Milgo Electronic Corp. v. United Business Communications Inc.*, 623 F.2d 645, 666 (10th Cir.), *cert. denied*, 449 U.S. 1066 (1980). This hardly supports Petitioner’s claim that the Federal Circuit’s willful infringement standard is new or at odds with that of other circuits.⁴

Secondly, Petitioner’s claim that prior to the creation of the Federal Circuit there existed a *per se* standard for willful infringement is likewise without merit. Review of the nine cases from other circuits cited by Petitioner as allegedly evidencing a unanimous *per se* rule of willful infringement [Pet 6] reveals quite the opposite. In *none* of the cited cases did a circuit court announce that any particular factor constituted *per se* willfulness or absence of willfulness. In fact, what one finds is the same sort of consideration and weighing of all relevant evidence that appears in the decisions of the Federal Circuit. For example, the Tenth Circuit in *Lam, Inc. v. Johns-Manville Corp.*, 668 F.2d 462, 474-76 (10th Cir. 1982), reviewed a number of factors in affirming willful infringement. Similarly, the Fourth Circuit in *Western Elec. Co. v. Stewart-Warner Corp.*, 631 F.2d 333, 337 (4th Cir. 1980), *cert. denied*, 450 U.S. 971 (1981), did not just consider the opinion of in-house counsel on the issue of willfulness but stated that such fact was “weighed along with all the other evidence

4. The “due care” standard of willful infringement was also utilized, for example, in the Ninth Circuit, *Coleman Co. v. Holly Mfg. Co.*, 269 F.2d 660, 666 (9th Cir. 1959); and in the Seventh Circuit, *Deere & Co. v. International Harvester Co.*, 658 F.2d 1137, 1147 (7th Cir. 1981).

in the case"—i.e., it was considered as part of the totality of the circumstances.⁵

The Federal Circuit in *Rolls-Royce Ltd. v. GTE Valeron Corp.*, 800 F.2d 1101, 1110 (Fed. Cir. 1986), rejected the very same *per se* standard that Petitioner advocates to this Court:

"In respect of willfulness, there cannot be hard and fast *per se* rules. The district court, considering the evidence before it and the testimony and demeanor of the witnesses, must in each case determine whether an infringer has discharged its affirmative duty of exercising due care. Here, the district court found, in light of the totality of the circumstances, that GTE had recognized and discharged that duty."⁶

See also, *Paper Converting Machine Co. v. Magna-Graphics Corp.*, 785 F.2d 1013, 1015-16 (Fed. Cir. 1986) ["It (willfulness) is not a matter of a *per se* rule, but of looking at the 'totality of the circumstances'"]; *Machinery Corp of America v. Gullfiber AB*, 774 F.2d 467, 472 (Fed. Cir. 1985) [no *per se* rule concerning finding of willfulness].

Therefore, the *standard* for willful infringement is whether the infringer satisfied his "affirmative duty to exercise due care to determine whether or not he is infringing-

5. Petitioner says that under so-called prior law "there could be no finding of willful infringement if the defenses *at trial* had some substantive merit" [Pet 6-7]. This is necessarily incorrect since the focus of the willful infringement inquiry is and always was whether the infringer acted reasonably at the time of infringement, not whether his lawyer could, as a litigation afterthought, develop defenses that possibly had some merit at trial.

6. The *Rolls-Royce* court also recognized that it may not substitute its evaluation of testimony for that of the district court, 800 F.2d at 1110, citing *Anderson v. Bessemer City*, 470 U.S. 564, 573-74 (1985).

ing,” and the standard is *not*, as Petitioner contends, “the totality of the circumstances.” The latter is simply a directive to the trier of fact that it must look to all the facts in the evidentiary record that bear on the issue.

II. The “Totality Of The Circumstances” Analysis Of The Evidence Is Reasonable And Proper For Determining Willful Infringement

The Federal Circuit in *Radio Steel & Mfg. Co. v. MTD Products, Inc.*, 788 F.2d 1554, 1559 (Fed. Cir. 1986), after enumerating several factors it had considered in past cases in connection with willful infringement, made clear that they were not dispositive in any *per se* sense:

“As we have indicated, however, the various factors we have discussed in those cases are just that: factors the district court is to consider in determining willfulness. In making that determination, it ‘is necessary to look at “the totality of the circumstances presented in the case.”’ *Central Soya*, 723 F.2d at 1577, 220 USPQ at 492.”

The requirement that district courts look to the “totality of circumstances”—i.e. all of the relevant evidence—is no stranger to patent law. In *American Safety Table Co. v. Schreiber*, 415 F.2d 373, 379 (2nd Cir. 1969), *cert. denied*, 396 U.S. 1038 (1970), decided long before the Federal Circuit was created, the Second Circuit affirmed a district court’s consideration of the “totality of circumstances” in support of increased damages for willful infringement under 35 U.S.C. § 284. Patent law has also employed the “totality of circumstances” approach in determining “fraud” on the Patent Office. *Monsanto Co. v. Rohm & Haas Co.* 456 F.2d 592, 600 (3rd Cir.), *cert. denied*, 407 U.S.

934 (1972); *General Battery Corp. v. Gould, Inc.*, 545 F. Supp. 731, 757 (D. Del. 1982).⁷

It is especially difficult to understand how Petitioner can seriously argue to this Court that the Federal Circuit's use of a "totality of circumstances" analysis is a "vague and unprincipled standard," a "confused and unintelligible 'principle,'" and a "nebulous and unprincipled 'standard'" (Pet. i, 5) when it has been repeatedly and approvingly *utilized by this Court*.

Petitioner's averments to the "totality of circumstances" approach as being a standardless analysis are not unlike arguments rejected by this Court in *Massachusetts v. Upton*, 466 U.S. 727 (1984). In *Upton* this Court upheld its earlier rejection in *Illinois v. Gates*, 462 U.S. 213 (1983), of a simplistic, two-pronged test for determination of probable cause for the issuance of a search warrant. *Gates* held that the Fourth Amendment's requirement

7. The Federal Circuit's recognition that certain issues do not lend themselves to *per se* rules is not limited to willful infringement and fraud on the patent office. The Federal Circuit, using language that is equally relevant to the issue of willfulness, recently reaffirmed that *per se* rules should not be utilized in determining whether a claimed invention was "obvious" under 35 U.S.C. §103:

"We are sure that there are those who would like to have us state some clear general rule by which all cases of this nature could be decided. Some judges might be tempted to try it. But the question of obviousness under § 103 arises in such an unpredictable variety of ways and in such different forms that it would be an indiscreet thing to do. Today's rule would likely be regretted in tomorrow's case. Our function is to apply, in each case, § 103 as written to the facts of disputed issues, not to generalize or make rules for other cases which are unforeseeable. The task may sometimes be easy and sometimes difficult; and as this case shows, not all of those required to decide may agree. But such is the way of the 'law.'"

In Re Durden, Jr., 763 F.2d 1406, 1411 (Fed. Cir. 1985).

of probable cause is to be applied not according to a fixed and rigid *per se* formula but rather in light of the "totality of circumstances" made known to the magistrate. In *Upton*, this Court described the shortcomings in its prior simplistic test—which is not unlike the *per se* test that Petitioner asks this Court to formulate:

"We rejected it [the simplistic test] as hypertechnical and divorced from 'the factual and practical considerations of everyday life on which reasonable and prudent men, not legal technicians, act.' . . . This 'totality-of-the-circumstances' analysis is more in keeping with the 'practical, common-sense decision' demanded of the magistrate." 466 U.S. at 732.

This Court has consistently recognized that a "totality of circumstances" analysis is particularly appropriate in determining the state of mind of a person or group, or the "reasonableness" of a person's actions under the law.⁸

As with many other areas of law,⁹ willfulness must be decided on a case-by-case basis; what is willful under some

8. See, for example, *Fare v. Michael C.*, 442 U.S. 707, 724-25 (1979) ["The totality approach permits—indeed, it mandates—inquiry into all circumstances"]; *Colorado v. Connelly*, 107 S.Ct. 515 (1986) ["The requirement that a confession be voluntary . . . demands an inquiry into the totality of the circumstances surrounding the confession."]; *Meritor Savings Bank F.S.B. v. Vinson*, 106 S.Ct. 2369, 2407 (1986) ["trier of fact must determine the existence of sexual harassment in light of the record as a whole and the 'totality of the circumstances'"]; *Segura v. United States*, 468 U.S. 796, 806 (1984) ["the seizure was not unreasonable under the totality of the circumstances."]

9. This Court has approved an evidentiary analysis based on the totality of the circumstances in *antitrust* cases, *NCAA v. Board of Regents of Univ. of Okla.*, 468 U.S. 85 (1984); in *contract* cases,

(footnote continued on next page)

circumstances may not be willful under others. The totality of circumstances analysis of all the relevant facts in the evidentiary record is a proper, clear and reasonable approach in determining whether a potential infringer has satisfied his affirmative duty to exercise due care to avoid infringement. Petitioner offers no basis to conclude otherwise.

III. There Is No Intra Circuit Conflict In the Federal Circuit And The Finding That Petitioner Is A Willful Infringer Is Not Clearly Erroneous And Is Fully Supported By The Record

Petitioner's argument [Pet 8-13] that other decisions¹⁰ of the Federal Circuit are inconsistent with the affirmance of willful infringement in the present case is without merit.¹¹ Each case cited by Petitioner applied the affirm-

A. & G. Stevedores v. Ellerman Lines, 369 U.S. 355 (1962; in admiralty law cases, *Hellenic Lines v. Rhoditis*, 398 U.S. 306 (1970); in immigration law cases, *INS v. Phinpathya*, 464 U.S. 183 (1984); in labor law cases, *Woodwork Manufacturers v. NLRB*, 386 U.S. 612 (1967); *Malone v. White Motor Corp.*, 435 U.S. 497 (1978); in constitutional law cases, *Davis v. Scherer*, 468 U.S. 183 (1984); *Allis-Chalmers Corp. v. Lueck*, 471 U.S. 202 (1985); and in cases that involve the interpretation of statutes, *First National Bank v. Beach*, 301 U.S. 435 (1937).

10. (A) *Rolls-Royce Ltd. v. GTE Valeron Corp.*, 800 F.2d 1101 (Fed. Cir. 1986); (B) *State Industries, Inc. v. A.O. Smith Corp.*, 751 F.2d 1226 (Fed. Cir. 1985); (C) *American Original Corp. v. Jenkins Food Corp.*, 774 F.2d 459 (Fed. Cir. 1985); (D) *Radio Steel & Mfg. Co. v. MTD Products, Inc.*, 788 F.2d 1554 (Fed. Cir. 1986); (E) *King Instrument Corp. v. Otari Corp.*, 767 F.2d 853 (Fed. Cir. 1985), cert. denied, 106 S.Ct. 1197 (1986); (F) *Shatterproof Glass Corp. v. Libbey-Owens Ford Co.*, 758 F.2d 613 (Fed. Cir. 1985), cert. dismissed, 106 S.Ct. 340 (1985); and (G) *Laitram Corp. v. Cambridge Wire Cloth Co.*, 785 F.2d 292 (Fed. Cir. 1986), cert. denied, 107 S.Ct. 85 (1986).

11. This Court ordinarily denies a petition for writ of certiorari where the petitioner asserts a conflict between decisions by different panels of the same court of appeals, *Davis v. United States*, 417 U.S. 333, 340 (1974). More importantly, here Petitioner's request for rehearing in banc was denied without dissent by the Federal Circuit [App 44] which further warrants denial of this petition for writ of certiorari.

ative duty of due care standard and each looked to the totality of the circumstances to determine if that duty had been satisfied. Moreover, Petitioner selectively extracts some facts from these cases and ignores others which contributed to the totality of the circumstances that justified findings of nonwillfulness. Moreover, in light of the very nature of the "totality of circumstances" analysis, it should come as no surprise (and offer no cause for concern) that a factor supporting willfulness in one case may, based on the context of relevant facts in a second case, be insufficient to support a willfulness finding in the second case.

In *Rolls-Royce* and *State*, willfulness was not found because the infringers had not copied and instead tried to design around the patented invention, 800 F.2d at 1109; 751 F.2d at 1235-36. Here, in contrast, the district court held that the evidence warranted an inference that Petitioner *did* copy Respondent's invention [App 22]. Here also, Petitioner *failed* to change its design, despite being advised to do so by its attorney [App 23].

In addition, and unlike the present case, the defendant in *State* did not have actual knowledge of the patent until after litigation ensued. In the present case, the Federal Circuit disagreed with Petitioner's interpretation of *State* relied upon in its brief on appeal:

"*State* does not, as Bentley contends, hold that a finding of willful infringement can not stand whenever manufacture of an accused device begins prior to the issuance of a patent. On the contrary, *State* is in harmony with our prior and subsequent case law, which looks to the 'totality of the circumstances presented in the case,' *Central Soya Co. v. George A. Hormel & Co.*,

723 F.2d 1573, 220 USPQ 490 (Fed. Cir. 1983).”
[App 9].

In *Shatterproof*, the defendant’s awareness of the patent in suit was only “technical”—its key people on the accused infringing project were not aware of the patent until litigation arose, 758 F.2d at 628. Here, Petitioner’s awareness was immediate and was followed by more than two years of infringing activity without any effort to obtain a competent opinion of counsel.

In both *American Original* and *Radio Steel* the defendants, after learning of the patents in question, specifically redesigned their products or processes in an attempt to avoid infringement, 774 F.2d at 465; 788 F.2d at 1558-59. In *Radio Steel* this redesign was done at outside patent counsel’s suggestion. In contrast, Petitioner ignored its counsel’s advice and made no modification of its product [App 23].

In *King Instrument*, defendant had obtained its own patent on the accused device, which cited the plaintiff’s patent as prior art, 767 F.2d at 867. The Federal Circuit in *King Instrument* acknowledged that in light of the totality of the surrounding circumstances the district court could have reasonably concluded that defendant’s management might reasonably have believed that its actions were protected by virtue of its own patent. Such finding by the district court was held by the Federal Circuit not to constitute clear error, 767 F.2d at 867.

Petitioner asserts that whereas the defendant in *King* did not obtain an opinion of counsel, it did obtain an opinion

soon after learning of Shiley's patent. This assertion is grossly misleading because Petitioner fails to point out that its so-called "opinion" was found by the district court to be incompetent and insufficient to satisfy its affirmative duty of due care to avoid infringement.¹²

In *Laitram*, the infringer sought in good faith to have its consultant "design them something that did not infringe" and believed that it would "come up with a novel design that did not infringe on any patents", 788 F.2d at 293-4 (see 226 U.S.P.Q. at 303). In contrast, Petitioner declined to alter its design when advised to do so by its attorney.

Accordingly, in each of the preceding cases the trial court had a sound factual basis on which to conclude that the infringement was not willful based on the "totality of circumstances."¹³ In fact, *Shiley, Inc. v. Bentley Laboratories, Inc.*, 794 F.2d 1561 (Fed. Cir. 1986), has been cited as authority on the issue of willful infringement by several

12. The totally insufficient nature of the alleged oral "advice" should have been (and must have been) obvious to Petitioner because Petitioner's executive who communicated with counsel was sophisticated in patent practice and had obtained at least 18 patents. See, e.g. *Radio Steel*, 788 F.2d at 1559 (an oral "off the cuff" opinion obtained by the infringer had departed from past practice of obtaining carefully prepared written opinions). Petitioner herein also never addresses the finding below that the oral opinion "cannot be characterized as legal advice or an opinion, much less a competent opinion" [App 23].

13. Petitioner repeatedly says that the Federal Circuit "found willful infringement" or "found no willful infringement" or that it "concluded" the absence of willful infringement [i.e., App 8-9]. This analysis of the appellate function of the Federal Circuit is misplaced since that Court, as any appellate court, does not find or adjudicate facts but rather affirms or reverses upon the application of the proper standard of appellate review, to wit, whether the finding below was clearly erroneous, *Underwater Devices*, 717 F.2d at 1389. Petitioner does not urge that the Federal Circuit applied the wrong review standard in this case, but ignores the import of that standard.

different panels of the Federal Circuit. *Pacific Furniture Mfg. Co. v. Preview Furniture Corp.*, 800 F.2d 1111, 1114-5, fn. 9 (Fed. Cir. 1986); *John A. Bott v. Four Star Corp.*, 807 F.2d 1567 (Fed. Cir. 1986). This hardly supports a claim of inconsistency or conflict within the Federal Circuit.

A review of the record in the present case demonstrates that the finding below of willful infringement was not "clearly erroneous." There was more than sufficient evidence to justify the conclusion that Petitioner did not satisfy its duty to exercise due care to determine whether or not he was infringing.¹⁴ The overwhelming facts in support of the finding of willfulness include, for example, (a) that Petitioner had obtained and unreasonably relied upon incompetent advice of counsel concerning its infringement—the district court found that Petitioner's oral advice, which consisted solely of a bald, conclusory statement that Petitioner's device was a different device, "cannot even be characterized as a legal advice or an opinion, much less a competent opinion" [App 22]; (b) that Petitioner admitted that it never conducted any search or study relating either to validity or infringement; (c) that Petitioner failed to follow its counsel's advice to modify its product; and (d) that Petitioner copied.

It is undisputed that findings of fact are reviewed under the clearly erroneous standard. *Anderson v. Bessemer*

14. Petitioner argues that the Federal Circuit's decision is defective because it did not separately list the evidence the Court relied upon to affirmatively support a finding of willful infringement (Pet 13-14). The Federal Circuit, of course, was free to rely upon the thoughtful and complete decision of the district court which considered in detail the evidence supporting willful infringement, and the Court was not required to engage in the wasteful exercise of repeating all of the facts cited in the district court's decision.

City, 470 U.S. 564, 573 (1985). Notably, however, Petitioner does not allege that any of the above-stated facts found against it are clearly erroneous. Rather, Petitioner simply ignores them, and on the issue of copying, Petitioner flagrantly tells this Court it did not copy [App 50]. Petitioner cannot wish away the facts. These facts conclusively demonstrate that the finding of willful infringement was well supported and not clearly erroneous. Petitioner had an affirmative duty to exercise due care to avoid infringement. *Underwater Devices*, 717 F.2d at 1389. *This it did not do!*

IV. The Federal Circuit Has Provided Adequate Guidance On The Issue Of Willful Infringement

Petitioner complains that lawyers cannot competently advise their clients on the issue of willful infringement [Pet 14] and that intervention by this Court is necessary to “clarify the law of punitive damages” [Pet 15]. Petitioner is wrong on both counts.

Petitioner’s complaint is especially disingenuous since the Federal Circuit cases are replete with discussions of factors that are relevant to any willfulness inquiry. In fact, Petitioner itself lists some of them in its petition [Pet 17-18]. For Petitioner to complain that the Federal Circuit has not given patent practitioners a mechanistic calculus or series of *per se* rules with respect to these factors ignores the very purpose of the “totality of circumstances” analysis and seeks to reduce an inquiry concerning intent, motive and actions into a mechanical exercise that only the most naive could view as adequate and the more accomplished willful infringers would welcome as

an invitation to steal. Surely patent law and policy have not regressed to that point. Any prudent lawyer is more than capable of advising as to the duty of care that faces his client when he has actual knowledge of another's patent rights.

Petitioner presents an irrelevant statistical analysis of pre- and post-Federal Circuit decisions on the willful infringement issue. If there is anything significant in Petitioner's catalogue of cases it is that of the 17 Federal Circuit cases listed by Petitioner [App 48-49], the Court affirmed the lower Court's findings on the willful infringement issue in 14 cases and only reversed in 3 cases. This demonstrates that the lower courts well understand the "methodology" or "meaningful guidelines" [Pet 8] provided by the Federal Circuit and they do not require "intervention" [Pet 15] or "clarification" [Pet 17] by this Court or by the Federal Circuit. Clearly the district courts fully understand and have properly applied the willful infringement standard.

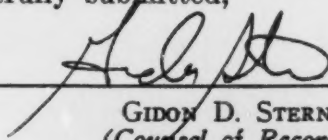
Conclusion

The petition seeks review of a routine patent case involving a willful infringer. Despite its unquestioned importance to the litigants, the decision below breaks no new legal ground, departs from no established principles

and is wholly lacking in any issue which would require the time and resources of this Court.

Respectfully submitted,

By



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